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Editorial:

by April Hunt

Tuesday March 24, 2009, 9:00 AM

Bowing to increasing pressure from critics, Michigan Attorney General Mike Cox rightly reversed course on a plan to give two Grand Rapids-area parks a hefty cut of the money the state received from a mortgage fraud lawsuit. The intended \$500,000 gift will now go the local United Way, which has been involved in sponsoring forums designed to help people who are in foreclosure or facing that possibility, stay in their homes. That's a more appropriate and defensible use of the settlement funds.

Michigan was among a group of states that won a \$130 million settlement last year from Countrywide Financial Group because of the company's lending practices. Countrywide is blamed for much of the state's foreclosure crisis. Most of Michigan's \$9.9 million portion of the settlement is going to former Countrywide customers who lost their homes. Some 3,700 former customers will receive checks for \$1,800 each. Mr. Cox's plans for spending some of the rest of that money -- specifically the half million for two parks in Kent County -- has raised reasonable questions about who decides how funds the state wins in lawsuit settlements are distributed.

Past practice has generally left it up to the attorney general's office, provided distribution guidelines are not spelled out in settlement language and the state is not an injured party. The Countrywide settlement required 50 percent of the money to go to people directly affected by foreclosure. The rest could be used as prescribed by the attorney general. Mr. Cox said he used two-thirds of the money for foreclosure victims and allocated a third to Michigan's five largest cities for projects that help stabilize or revitalize neighborhoods hurt by foreclosure. The park projects -- \$250,000 for Kent County's Millennium Park and \$250,000 for Crescent Park in Grand Rapids -- were part of the funds slated to help Grand Rapids. Also, the city received \$250,000 which will be distributed to agencies that help people directly with foreclosure prevention efforts.

The blowback over the parks money from Grand Rapids and Kent County leaders pushed Mr. Cox to rethink the parks allocation. His reasoning for the park gifts -- to help stabilize and revitalize surrounding neighborhoods -- was weak. Millennium Park is on the outskirts of Grand Rapids and Walker. It's not in a highly urban area that has been devastated by foreclosures. Crescent Park is near the Heritage Hill neighborhood where only 4.4 percent of the homes went to sheriff's sales because of foreclosure between January 2004 and June 2008. That compares to rates between 15 percent and 20 percent for other parts of the city. Settlement money would likely do more good in those areas or at agencies directly involved in helping folks stay in their homes.

The proposed park gifts raise legitimate questions about the attorney general's power to disseminate lawsuit funds at his or her sole discretion. The public should know how and why these awards are made. Mr. Cox is widely presumed to be a candidate for governor. He certainly doesn't want to be perceived as doling out large grants simply to curry favor and support.

E-mail a letter to the editor for publication online and in print: pulse@grpress.com Please keep letters to less than 200 words and include your full name, home address and phone number.

WHY IT MATTERS

People faced with losing their homes to foreclosure are more concerned about keeping a roof over their heads than having green space to enjoy.

Thursday, April 9, 2009

Editorial: Attorney General takes heat for giving away settlement money

Candidate Cox should let Legislature decide how to distribute settlement money from state lawsuits

Attorney General Mike Cox has said he's dumbfounded that some people have questioned the motives behind grants he's been handing out to communities. The money comes from the proceeds of a settlement totaling more than \$130 million with Countrywide Financial Corp. over questionable home loans.

Imagine that. Why would anyone think handouts from an announced candidate for governor -- however well-intentioned -- would be tied to political ambitions?

Cox went to court and won an agreement from Countrywide to spend \$130 million renegotiating 10,000 Michigan loans. The corporation also agreed to pay \$1,800 each to nearly 3,700 customers, with sub-prime and pay-option adjustable rate mortgages, who lost their homes.

That's all part of a \$9 billion settlement involving 11 states. Cox deserves credit for his part in it.

But the settlement left Cox with another \$3 million-plus to use at his discretion -- generally, to help communities overcome the damaging effects of the foreclosure crisis.

When controversy followed his offer of \$500,000 to two Grand Rapids parks, one of them a pet project of GOP honcho Peter Secchia, Cox shifted the money to the local United Way.

This week, he was in the news again, detailing plans for \$250,000 he's now turning over to Sterling Heights and Warren. He gave another \$1 million to \$2 million to Detroit, Focus: Hope and the United Way of Southeastern Michigan.

While United Way, Focus:Hope and public parks are worthy recipients, Cox's critics raise valid questions: Doesn't the attorney general work for all of us? Shouldn't that money have gone into the state treasury on behalf of the state's 10 million residents?

Democratic Rep. Mark Meadows of East Lansing has proposed requiring that proceeds from settlements of this type, other than what's paid directly to claimants such as the homeowners in this instance, be deposited in the treasury for appropriation by lawmakers and the governor.

That seems like sensible public policy and would remove the suspicion that Cox is acting in his own political interests.